

Message Text

CONFIDENTIAL

PAGE 01 JIDDA 07466 191526Z

47

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 191400Z DEC 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 9645

INFO AMEMBASSY BEIRUT

AMEMBASSY BRUSSELS

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

C O N F I D E N T I A L JIDDA 7466

EXDIS

E.O.: 11652: GDS

TAGS: EFIN, ECIN, SA, US

SUBJ: RECYCLING VIEWS OF MINISTER STATE FOR FINANCE

BEGIN SUMMARY: MINISTER OF STATE FOR FINANCE OF SAUDI ARABIA HAS ENCOURAGED LOW-KEY DISCUSSIONS WITH EMBASSY ON NATURE OF FUTURE SAUDI INVESTMENTS. WHILE EMPHASIZING NECESSITY FOR FISCAL MANAGEMENT, SECURITY OF INVESTMENT AND CONFIDENTIALITY, HE HAS POINTED TO RESPONSIBLE SAUDI ACTIONS IN SUPPORTING WORLD BANK AND IN SEEKING LONGER TERM INVESTMENTS. DEPUTY MINISTER FINANCE RATHER THAN MEMBER OF SAMA WILL ATTEND MID-JANUARY IMF DEVELOPMENT COMMITTEE MEETING.

EMBASSY NEEDS TO BE KEPT UP TO DATE ON ALL ASPECTS OF RECYCLING POLICY INCLUDING VOTES IN THE UNITED NATIONS THAT COULD BE INTERPRETED OR WILL BE INTERPRETED AS CONFRONTING OIL PRODUCERS AND/OR THIRD WORLD. END SUMMARY.

1. DURING DISCUSSION OF U.S.-SAUDI ECONOMIC COMMISSION, AMBASSADOR TOOK OCCASION ON DECEMBER 18 TO LEAVE COPY OF U.S. EXECUTIVE DIRECTOR IMF CROSS' SPEECH OF DEC 6. THIS OPENED
CONFIDENTIAL

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PAGE 02 JIDDA 07466 191526Z

CONVERSATION TO EXCHANGE OF IDEAS ON RECYCLING WHICH WAS MOST

RESPONSIVE DIALOGUE WHICH WE HAVE YET HEARD FROM SAUDI SIDE.

2. AMBASSADOR TRACED PARALLELISM BETWEEN SAUDI AND U.S. STANDS ON RECYCLING SINCE BOTH SAW EXTREMELY HIGH OIL PRICES AS ONE OF MAJOR REASONS FOR PROBLEM. WHILE SAUDI ARABIA COULD NOT ITSELF BRING DOWN PRICES WITHOUT COOPERATION OF ANOTHER MAJOR PRODUCER SUCH AS IRAN, WHICH NOW SEEMED UNLIKELY, RECENT DECISIONS HAVE INDICATED THAT PRICES WOULD LEVEL FOR AT LEAST NINE MONTHS. AMBASSADOR SAID THIS WAS OF COURSE NOT SATISFACTORY. WE HAD UNDERSTOOD SAUDIS FAVORED FULL TWO YEARS OF STABLE PRICING. THE U.S. WAS PLEASED WITH THE MARTINIQUE DECISIONS. SAUDI ARABIA WOULD BE LOOKING MORE AT INVESTMENTS IN COUNTRIES ABROAD AND HE PRESUMED TAKING AN EQUITY POSITION IN THE U.S., EUROPE AND THE DEVELOPED NATIONS. WHAT WAS WORRISOME, WERE COUNTRIES SUCH AS INDIA WHERE REINVESTMENT OF OIL REVENUES WERE DOUBTFUL AND INSECURE.

3. MINISTER STATE SAID THAT PERHAPS AFTER THE ID IT WOULD BE POSSIBLE WHILE THE GOVERNMENT WAS STILL HERE IN JIDDA TO DISCUSS THIS IN MORE DEPTH. SHORTAGES OF FINANCING FOR ITALY AND SOME OF THE OTHER DEVELOPED COUNTRIES WAS ONE THING. FOR OTHERS SAUDI ARABIA WOULD HAVE TO LOOK AT OVER ALL REQUIREMENTS AND A REASONABLE FISCAL POLICY WOULD REQUIRE INVESTMENT OF THE KINGDOM'S PORTFOLIO IN A SECURE WAY. HE NOTED THAT INTERNAL SPENDING CAPABILITY HAD INCREASED VERY SHARPLY. THEY WOULD WANT TO MATCH THEIR OVERSEAS INVESTMENTS WITH INTERNAL INVESTMENTS AND RELATE THEM TO THE RATE OF INCREASE OF RESERVES. THEY WISHED TO BE RESPONSIBLE AND DEPUTY MINISTER OF FINANCE ABD AL-AZIZ RASHID WOULD BE ATTENDING THE JANUARY MEETING OF THE IMF DEVELOPMENT COMMITTEE. THEY HAD JUST MADE A DECISION TO ASSIST THE WORLD BANK BY INVESTING SUBSTANTIALLY IN ITS BONDS ON A LONG TERM BASIS.

4. THEY DID NEED HELP TO IMPROVE THEIR STRATEGY AND NEW IDEAS AND NEW CONCEPTS WOULD BE WELCOME. WHEN THE UK CHANCELLOR OF THE EXCHEQUER WAS HERE HE HAD ASKED FOR INFORMATION AND INQUIRED WHY SAUDI ARABIA WAS SO INSISTENT ON SECRECY IN HER INVESTMENTS? THE MINISTER OF STATE SAID THAT PUBLICATION OF INVESTMENTS WAS UNNEEDED AND THAT SAUDI ARABIA DID NOT DESIRE TO ATTRACT ATTENTION TO ITSELF ANY MORE THAN NECESSARY. THEY HAD ALREADY CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JIDDA 07466 191526Z

ENTERED MEDIUM AND LONG TERM INVESTMENTS IN A VERY SUBSTANTIAL WAY. HE HIMSELF DID NOT KEEP TRACK OF THE DETAILS BUT OVER HALF OF THE INVESTMENTS WERE NOW IN MEDIUM AND LONG TERM.

5. THE AMBASSADOR SAID THAT HE WOULD WELCOME FURTHER DISCUSSIONS AND THAT PERHAPS AFTER THE PILGRIMAGE FEAST WHEN THE GOVERNMENT WAS STILL HERE IN JIDDA MEMBERS OF HIS STAFF AND WHOEVER THE MINISTER WOULD LIKE TO ACCOMPANY HIM, COULD

JOIN IN A PRIVATE EVENING OF DISCUSSION.THE MINISTER SAID THAT
HE WOULD WELCOME SUCH AN OPPORTUNITY.

6. ACTION REQUESTED: THERE HAS BEEN A RECENT INCREASE IN THE
AMOUNT OF INFORMATION FLOWING TO US ON RECYCLING BUT MUCH MORE
ARGUMENTATION IS NEEDED ALONG THE LINES OF THE STATEMENT MADE
IN THE IMF MEETING OD DEC 6 TOGETHER WITH SENSITIVE AND SENSIBLE
JUSTIFICATIONS FOR OUR VOTES IN THE UNITED NATIONS ON THESE
MATTERS. MANY OF OUR VOTES ARE STILL INTERPRETED HERE AS
CONFRONTING EITHER THE OIL PRODUCERS OR THE THIRD WORLD. WE
SHOULD LIKE TO EMPHASIZE THAT WITH THE DEATH OF GOVERNOR ALI,
THE NAMING OF A NEW GOVERNOR HAS MEANT AS MUCH MORE DIRECT
INVOLVEMENT OF THE SAUDI HIERARCHY IN THESE INVESTMENT MATTERS
THAN WAS TRUE BEFORE.
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